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FOREIGN SERVICE DESPATCH

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SUBJECT: United States Aid to Libya for 1959

DLF-1

I called on the Prime Minister at noon on December 29 at his request, accompanied by the Embassy's Arab Secretary, Muhammad Salah, who acted as interpreter. Present also was the Permanent Under Secretary of Foreign Affairs, Umar BARUNI. After the usual exchange of greetings and good wishes for the Libyan and Christian holiday seasons, the Prime Minister apologized for disturbing me in the midst of our Christmas and New Year's celebrations. He said that he had done so only because of an urgent matter which he wished to discuss with me, namely, that of American economic assistance for the Libyan fiscal year beginning April 1, 1959. He asked that I authorize Mr. Gordon, Director of USOM, to begin discussions immediately with Mr. Shaglouf, Permanent Under Secretary of Finance, to arrive at an early agreement on the amount of American assistance to Libya. This should, he said, be considered quite apart from the Libyan Government's request to review the financial aspects of the Base Agreement, since negotiations in connection with the latter might well drag on for several months. Because of the legal requirement that the Government of Libya submit its budget for the forthcoming fiscal year to the Libyan Parliament before January 30 of each year, it would be essential to know the extent of the American contribution to economic development and American participation in the Libyan budget before that date. The various Ministries of the Libyan Government have already prepared their budgetary requirements, which are now in the hands of the Ministry of Finance for coordination and submission to the Council of Ministers for approval. The Prime Minister invited my comments.

I said that I was happy to have an opportunity to discuss our 1959 aid program with him: that while I was not an expert in these affairs, as was Mr. Gordon and his staff, I still tried to follow our aid program closely and be prepared to discuss it in general terms.

I recalled a draft development program, copy of which I had submitted to His Excellency in late October, which represented the agreement reached to date between the Libyans and Americans at the working level on our economic development assistance in the fields of agriculture and water resources, health and sanitation, and education. This represented continuing projects in these three vital fields of Libyan development which we Americans

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REPORTER

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felt should be continued in the best interests of Libya and the Libyans. The amount tentatively allocated to these programs for 1959 was, in round figures, $8,000,000.

Not included in the draft program last October, but a worthy project which we felt should be continued, was the telecommunications project, for which we had tentatively allocated $1,600,000.

Furthermore, in a field of miscellaneous projects, including (1) community development, (2) audio-visual, (3) support of Joint Services, and (4) public information and safety, we had reached a contribution of $1,400,000.

In round figures these three general areas of American participation in Libyan economic development totalled $11,000,000. I went on to say that Mr. Gordon was authorized to negotiate and conclude agreements with Mr. Shaglouf immediately within the framework of these programs and this level of assistance.

The Prime Minister asked if the foregoing exposition meant that no provision had been made by the United States Government to cover the Libyan budgetary deficit this year as we had done last year in the amount of $5,500,000. He added that the budgetary deficit for 1959 would be even larger, and hoped that we would respond generously. He said that the members of the Libyan Parliament would be surprised if the Government were unable to present its budget by the required date because of lack of information regarding the American participation in the Libyan budget, and indicated that this would create a bad atmosphere for the opening of the U.S.-Libyan negotiations on the Base Agreement.

Furthermore, while it was desirable to continue projects already started, such as those I had enumerated in my exposition above, the Libyan public would expect new projects, and we could expect public criticism and, in fact, criticism within the Council of Ministers itself, if there were no interesting new projects in the 1959 budgetary presentation.

I replied that there was no reason why the economic development program within the framework of $11,000,000 which I had already outlined could not be submitted by the Libyan Government to the Parliament by January 30 if agreement could be reached on the Libyan side regarding the division of this amount of aid among the various Ministries and projects. Beyond that Mr. Gordon and I were not presently authorized to conclude agreements, and I assumed that this was the result of the Prime Minister's Note of November 19, 1958 raising the problem of renegotiation of the financial aspects of the 1954 Libyan-American agreement. The raising of this question by the Libyan Government had presented a new situation which the Government in Washington was presently studying. This required inter-Agency coordination and a period of weeks before the first reaction would be available here. Regarding the Parliamentary requirement for budgetary presentation by January 30, I said that so far as I was aware, the U.S. aid program had never been agreed with the Libyan Government and completed in time to meet this deadline: that I

did not believe that the Members of Parliament would be surprised if the same situation were true again this year. Every year there seemed to be some reason why the presentation of the Libyan budget was delayed, I added. Last year it had been delayed because of the financial talks with the British Government, and now, this year, the Libyan Government had proposed the renegotiation of the American financial agreement of 1954.

I continued by saying that there was nothing to prevent the Libyan Government from submitting any additional economic development projects in which it had particular interest and which were not included in the programs earlier described. We certainly would consider any projects put forward by the Libyan side and report them to Washington. I recalled that when we last discussed this subject, the Libyan development program was in the process of being studied by the Development Council. From there, it was to have been submitted to the Prime Minister for approval. I did not know what the present status of the over-all Libyan program was, but added that Mr. Gordon would be very pleased to receive a copy of it for study if Mr. Shaglouf would present it to him for our consideration.

The Prime Minister replied that it was true that the Libyan Government had asked for revision of the 1954 agreement, that it was still asking for it, and that it would insist upon such a revision. It had done so for two reasons:

(1) Because the amount of American assistance in exchange for Base rights was so little; and

(2) Because the Libyans had had an unsatisfactory experience over the past four years with the procedures adopted in the extension of American assistance. Mr. Ku'bar added that Libya wants more money to meet her expanding requirements and a simplification of the complicated procedures presently governing American economic aid. Unless the American Government, he continued, were willing to meet their requirements in this manner, they would have to turn to the British or other sources for assistance.

Regarding the first point, I observed that Libya was already receiving, per capita, greater assistance from the United States Government than any other country in the world: and, regarding the second, that we had already responded affirmatively to the Prime Minister's request to renegotiate whatever portions of the Technical Assistance agreements might be necessary to bring the organization of American assistance into line with the new Libyan Economic Development Council. I added that we were still waiting to hear from the Libyan Government regarding the initiation of these discussions.

The Prime Minister asked if I would report his sense of urgency to Washington and request the earliest possible reply to (a) the Libyan Government's Note of November 13 inviting us to renegotiate the financial aspects of the 1954 agreement: and (b) the amount of American participation

in the Libyan budget. He said that he considered the latter the most urgent, but that, if we had a favorable reply first to the former, we could begin our negotiations on the 1954 agreement immediately, thus making (b) above less urgent.

I, of course, agreed to report our conversation to Washington and request that my instructions be expedited.

J. Wesley Jones

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